Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

<table>
<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs./Bale</td>
<td>22326</td>
<td>46700</td>
<td>83.04</td>
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Domestic Futures Price (Ex. Gin), October

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<thead>
<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs./Bale</td>
<td>22940</td>
<td>47985</td>
<td>85.32</td>
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</table>

International Futures Price

<table>
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<tr>
<th></th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2018)</td>
<td>81.99</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>15,670</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>88.28</td>
</tr>
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</table>

Cotton Guide: Yet another week Cotton price continued to trade in the range of 81 to 84 cents. The gone by week for December settled at 81.99 cents per pound down by 23 points from prior week’s close. Although it is moving in a very sideways range but daily volatility is quite high. The March 19 contract also traded in the same tone and ended the week at 82.40 cents.

Every time market is moving towards 81 cents it is quickly reversing back higher as part technical support, mills buying, mills unfixed fixation or some sort of weather issues pops up. We think 81 are considered as strong support level while 84 continues to be a resistance. Unless either side of the band is not cleared we would see continued sideways range for cotton in the short term. China’s ZCE futures had a 3rd consecutive day of losses; but for the week it ended less than a half-percent lower. Like ICE, the ZCE has been traveling sideways for nearly 4 weeks. As far as trading participation is concerned, the average daily volume has been hovering around 20-25K contracts while the aggregate open interest continues to maintain near 255k CONTRACTS.

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On the fundamental front, weather is playing a vital role, crops in southern Delta states and Ala. face “some very minor quality deterioration” following adverse weather from a tropical storm along the Gulf Coast. In the week ended Sept. 2, 41% of the U.S. crop rated good or excellent, down from 44% a week earlier and 65% y/y, USDA data showed on Sept. 4.

Indian Scenario: The Indian Rupee has been under pressure the past few weeks due in part to their dependence on imported crude oil. The rally in crude oil prices has dramatically increased their cost of crude oil imports, an increase of 76% in July. The US dollar rupee hit a new record low last week of 72.105 and is down nearly 13% for the year against the USD. This weakness is lowering the US cents a lb. value of the MSP and also increasing the incentive to export. Local prices at the moment remain above the MSP on tight supplies. CFR Asia offering basis levels are quite different from shipper to shipper with the most aggressive offer of S-6 1 1/8 for prompt shipment ranging from 550 to 850 points on. New crop offers can be found in a similar range. These basis levels, while aggressive, do mark a major improvement from the weak basis levels in June. The 2018/19 domestic crop will likely be below last year thus export pressure should be reduced.

The spot price for S-6 variety Ex-gin is trading around Rs. 47000-47200 per candy while the MCX future has been quite volatile. It ended the October future last week at Rs. 22940 per bale up by Rs. 80 from previous week’s close. This had made a weekly low of Rs. 22650. We think market is taking support near Rs. 22500-22600 range. This morning ICE cotton is seen trading higher by 1.54% at 83.25 cents, the ZCE cotton is marginally higher amid steady USD. Indian rupee is trading at fresh low against the US dollar at 72.14. We think Indian cotton price might trade positive today. Market might open higher. The trading range would be Rs. 22870 to Rs. 23200 per bale.

Currency Update:

Indian rupee has opened lower by 0.6% to hit a fresh record low level of 72.1825 against the US dollar. Rupee remains pressurized by choppiness in equity market amid persisting trade war worries and contagion concerns in emerging market economies. Trade worries intensified as US President Donald Trump threatened that he’s ready to tax all Chinese imports at short notice. Trump has also warned to take up trade issues with Japan while trade talks between US and Canada have failed to yield results. Concerns about health of emerging markets have also resulted in investor outflows. As per reports, foreign funds were net sellers of $102.3m in Indian bonds on Sept. 6 and net sellers of $119.7m in nation’s equities that same day. Rebound in crude oil price is also weighing on rupee. Brent crude has rescaled $77 per barrel amid optimism about US economy, rise in Chinese crude imports and worries about Iranian supply. The US dollar is also supported by optimism about US economy amid better than expected US non-farm payrolls data released Friday which further strengthens case for Fed’s monetary tightening. While rupee remains under pressure, Economic affairs secretary Subhash Chandra Garg told in an interview that there was no reason for further depreciation of the Indian currency and no extraordinary measures were needed as of now. Rupee may remain under pressure unless we see stability in global financial market. USDINR may trade in a range of 71.8-72.4 and bias may be on the upside.

Compiled By Kotak Commodities Research Desk, contact us: research@kotakcommodities.com, Source: Reuters, MCX, Market source
**Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:**

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<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
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<tbody>
<tr>
<td>India</td>
<td>2.80</td>
<td>3.10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.41</td>
<td>2.80</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.20</td>
<td>3.45</td>
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*Source: CCF Group*

**China yarn**

Cotton yarn price remained stable this week with partly rising. Prices of polyester yarn and polyester/cotton yarn stayed flat while that of rayon yarn and polyester/rayon yarn surged.

Price of cotton/rayon yarn kept steady due to poor downstream demand.

**International yarn**

Cotton yarn prices have continued to stagnate. Turkey again alluded to a slowdown in spinning activity.

Spinners in Bangladesh complain of poor profitability.

The sector nonetheless anticipated a further expansion of capacity.

*Source: CCF Group*
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INTERNATIONAL NEWS

Uncertainty is biggest challenge facing US textiles industry

The United States Fashion Industry Association (USFIA) is dedicated to fashion made possible by global trade. This opening line on the website was used at the beginning of the association’s President Julia Hughes recent seminar in Toronto on US trade policy.

The tagline is especially pertinent given the current policy being pursued by the US under President Trump and Hughes got directly to the point of the negative impact on the US fashion industry and globally.

Founded in 1989, the USFIA membership includes brands, wholesalers, retailers and importers. The organisation based in Washington, D. C. describes itself as “the voice of the fashion industry”, representing members interests at home and abroad. The proceeds of free-trade, eliminating tariff and non-tariff barriers is central to its mandate.

The US Trade Commission estimated that in 2016 textiles and apparel accounted for 9.7% of imports from China, compared with 39% electronic products. However, the impact on the sector not just in the US but globally is of high significance to the industry. In an article titled ‘Walmart, Nike Suppliers Put on Notice by China Tariff Threat’ (6th March 2018) the Chinese and Hong Kong companies shown to be most at risk from Trump tariffs were Li & Fung with 64% of revenue coming from US, with the electronics company AAC Technologies were second at 62%.

Robert E. Lighthizer, the US Trade Representative insists that President Trump is fulfilling his election promise to push for trade reform to ensure “fairer outcomes for US workers and businesses, and more efficient markets for countries around the world...we have already begun to revise outdated and unfair trade deals, build a stronger US economy, pursue an aggressive enforcement agenda, and press for significant reforms of the WTO.”

The impact of this agenda is already being felt within the US and globally. USFIA’s 2018 Benchmarking Study is based on a survey (undertaken April-May) of twenty-eight executives at leading US fashion companies.
The top business challenge cited is the protectionist trade policy in the United States and the uncertainty this causes at very level from markets to supply chain and retail. This is echoed in a comment by Hun Quach, Vice President for International Trade at the (American) Retail Industry Leaders Association: “Virtually no sector will go unpunished.

We’re really concerned about what this would do for the prices that American customers pay every day”. Linked to this is the third top challenge cited as increasing production and sourcing cost. If production and sourcing are repatriated to the US it will have a cost impact that will have to be passed on to the consumer who may choose to change their buying pattern or frequency.

So how much do US brands rely on overseas suppliers? The answer is a lot. Of those surveyed by USFIA eight out of the top ten sourcing destinations are in the southern hemisphere (in order): China, Vietnam, Indonesia, India and Bangladesh. Mexico came in ninth and USA tenth. With 48% of US textile and apparel imports coming from China, Julia Hughes puts it simply “China plus Vietnam plus many”. The USFIA survey found that sourcing from the Western Hemisphere (including members of NAFTA and CAFTA-DR) is increasing.

Utilisation of free trade agreements in the sector remains underutilised for sourcing. There is slight, though hardly significant, increase in the utilisation of NAFTA, CAFTA-DR and AGOA the main three FTA agreements for the US.

On trade policy USFIA membership responding showed an overwhelming 77% support for reducing documentation requirements for importing and exporting textiles and apparel under FTAs. Administration time and complexity are proving to be a barrier to existing trade policy benefits that US fashion companies might avail of.

Use of the exceptions to the ‘Yarn- forward’ Rules of Origin are a case in point. The US Customs and Boarder Protection Agency describe the requirements being: “the yarn used to form the fabric (which may later be used to produce wearing apparel or other textile articles) must originate in a NAFTA country”.

This may seem fairly straightforward until the customs web site continues in a Monty Pythonesque fashion: “Thus, a wool shirt made in Canada from fabric woven in Canada of wool yarn produced in Argentina would not be considered originating since the yarn does not originate within a NAFTA country.

If, however, Argentine wool fibre was imported into Canada and spun into wool yarn, which was then used to produce the wool fabric, the shirt would be considered originating”. This is before getting to the actual paperwork. It is hardly surprising that such benefits to brands are out of reach for logistical reasons.

Many respondents said they did not use the short supply list mechanism because the documentation requirements were too complicated, while even more said they did not use the cumulation rule because they did not know what it was.

The World Bank describes the rule whereby “cumulation allows producers to import materials from a specific country or regional group of countries without undermining the origin of the final product”.

However, the interpretation of this rule is not entirely transparent as in two examples given by the Canadian law firm, Bennett Jones. The final assembly of the Apple iPhone takes place in China.

Yet the added-value in China is less than 2% (2014 figures) and the applicable US Rule of origin confers origin on China. The second example given by Bennett Jones is a Tee-shirt produced in Bangladesh that imports around 80% of its yarn.

The yarn-forward rule then means that apparel goods made up in the country often does not necessarily qualify for preferential treatment under FTAs. The outcome is low utilisation of trade preferences for apparel.

While a company like the VF Corporation may have the resources to untangle such regulations a SME does not, putting them at a competitive disadvantage.
In conversation with Julia Hughes she is clear about the single biggest challenge facing the industry and it is uncertainty.

While she would speculate on likely scenarios under the Trump administration, she would not be drawn on future trade between US and UK under BREXIT. America, like the rest of the world it seems will have to wait and see.

Source: innovationintextiles.com- Sep 08, 2018

USA: Apparel, Sneakers Poised for Tariff Pain They Dodged Earlier

So much for U.S. consumers being left out of the trade war.

American retailers like Target Corp. and Walmart Inc. and giant brands such as Nike Inc. and Apple Inc. so far haven’t been hit that hard by President Donald Trump’s tariffs. But that could be about to change, just as they are preparing for the all-important holiday shopping season.

The president on Friday said he’s ready to boost tariffs on Chinese goods to include about $500 billion worth of products — or just about every single item coming from the nation. The U.S. imported $505 billion of Chinese products in 2017, Census Bureau figures show, so that means phones, sneakers, televisions and all the finished goods that consumers depend on will inevitably make the list.

Trump announced his possible move to impose tariffs on an additional $267 billion in Chinese goods just as the U.S. finalizes a third round of duties on about $200 billion—what critics had already likened to a tax on the American public.

“In one word—disaster,” said Matt Priest, chief executive officer of the Footwear Distributors and Retailers of America, an industry trade group. “Punishing my children for the crimes of my neighbors seems like a ridiculous thing for all of us to think it would be effective. But this administration thinks it’s a tool that will accomplish its goals.”
On top of the duties that U.S. importers would pay, there’s also the risk of further retaliation in China — perhaps in the form of state-run media drumming up anti-American sentiment against U.S. brands with major operations there. They’ve done it before, including last year against South Korea when it shuttered stores and factories.

Parts of Corporate America have been critical of Trump’s trade agenda, but not with the same fervor that it attacked and defeated border adjustment—a proposal in last year’s tax overhaul that it equated to a levy on imports.

However, over the past few weeks, companies appeared to become more aggressive in pushing back against the third round of duties on $200 billion worth of Chinese goods. Crafting retailer Joann asked customers to sign a petition or contact their representatives. Purse-maker Vera Bradley Inc. said that it would be “detrimental” to its turnaround and eliminate jobs. Target weighed in, saying families would take a hit.

“Tariffs are taxes, and taxes raise prices for consumers,” Target said in a letter submitted to the U.S. Trade Representative. “The current proposal to impose up to a 25 percent tariff on an additional $200 billion in Chinese imports will further hurt American consumers.”

In a letter earlier this week, Apple said the tariffs would impact a wide range of the company’s products and goods used in the company’s U.S. operations.

David French, senior vice president at the National Retail Federation, said the additional tariffs Trump floated on Friday would equate to “a $70 billion tax increase on American families just in time for the holiday shopping season.”

“It will virtually affect everything that Americans purchase everyday. We’re talking toys, we’re talking apparel, we’re talking footwear, in addition to the furniture and travel goods and outdoor gear that has already been subject to tariffs,” he said. “It’s going to impact American manufacturing, it’s going to impact American retailers; ultimately it’s going to impact jobs and American families.”

Source: sourcingjournal.com- Sep 08, 2018
Global Cotton Reserves Projected to Drop to Lowest Level in Seven Years

These are topsy-turvy times for the global cotton industry.

A new report from the International Cotton Advisory Council (ICAC) projects the 2018-19 cotton crop season to see a 3 percent decrease in production, a 3 percent increase in consumption and a 10 percent decline in global stocks. This would bring the world’s cotton reserves down to a level not seen since the 2011-12 season.

The global stocks-to-use ratio is expected to drop to about seven months of mill use. The decrease in global stocks will primarily come from a drawdown in China’s warehouses, ICAC said. From March through August, the Chinese State Reserve sold more than 2 million tons of fiber, reducing stocks to roughly 8.6 million tons.

ICAC said if production and consumption remain at current projected levels, the 2018-19 season is expected to reduce stocks in China to 6.6 million tons, representing a 23 percent drop.

Outside of China, stocks are trending in the opposite direction, with a 24 percent rise in 2017-18 to 10.1 million tons. The increase is forecast to slow this season, with a slight gain to 10.2 million tons. By the end of the season, warehouses outside of China are expected to house close to 61 percent of the world’s global reserves.

“Ending stocks in China reflect growing mill use in China and may signal the possibility of increased imports in 2018-19,” ICAC said. “Growing global demand in 2018-19, despite uncertainty about trade policies, may lead to price increases amidst a possible global production decrease.”

Spot prices for U.S. cotton averaged 79.19 cents per pound for the week ended Aug. 30, according to the U.S. Department of Agriculture (USDA). The weekly average was up from 78.73 cents a week earlier and from 69.05 cents a year ago, USDA noted.

The Cotlook A Index of global prices is forecast to average 88 cents a pound for this season, the ICAC report noted, compared to 95 cents a pound in the 2017-2018 season. The index stood at 92.55 cents a pound on Wednesday.
China’s trade surplus with the United States widened to a record in August even as the country’s export growth slowed slightly, an outcome that could push President Donald Trump to turn up the heat on Beijing in their cantankerous trade dispute.

The politically sensitive surplus hit $31.05 billion in August, up from $28.09 billion in July, customs data showed on Saturday, surpassing the previous record set in June.

Over the first eight months of the year, China’s surplus with its largest export market has risen nearly 15 percent, adding to tensions in the trade relationship between the world’s two largest economies.

China’s annual export growth in August moderated slightly to 9.8 percent, the data showed, the weakest rate since March but only slightly below recent trends.

The number missed analysts’ forecasts that shipments from the world’s largest exporter would rise 10.1 percent, slowing only slightly from 12.2 percent in July.

Even with U.S. tariffs targeting $50 billion of Chinese exports in effect for their first full month in August, China’s exports to the United States still accelerated, growing 13.2 percent from a year earlier from 11.2 percent in July.

“There is still an impact from front-loading of exports, but the main reason (for still-solid export growth) is strong growth in the U.S. economy,” said Zhang Yi, an economist at Zhonghai Shengrong Capital Management.

Zhang said the impact from U.S. tariffs on China’s exports would likely be limited over the next few months.
China’s imports from the United States grew only 2.7 percent in August, a slowdown from 11.1 percent in July.

The world’s largest trading nation got off to a strong start this year, but its economic outlook is being clouded by the rapidly escalating U.S. trade dispute and cooling domestic demand.

Trump upped the ante on Friday, warning he was ready to slap tariffs on nearly all Chinese imports to the United States, threatening duties on another $267 billion of goods on top of $200 billion in imports primed for levies in coming days.

Washington has long criticized China’s huge trade surplus with the United States and has demanded Beijing reduce it. Still, disagreements between the two major economic powers run deeper than just the trade balance and tensions remain over limits on U.S. firms’ access to Chinese markets, intellectual property protection, technology transfers and investment.

Imports, a key gauge of the strength of China’s domestic demand, grew 20 percent, beating forecasts. Analysts had expected growth of 18.7 percent, slowing from July’s surprisingly high 27.3 percent.

That resulted in China posting a smaller overall trade surplus of $27.91 billion for the month. Analysts had expected the surplus would rise to $31.79 billion from $28.05 billion in July.

The surplus with the United States was larger than China’s net surplus for the month, indicating China would be running a deficit if trade with the world’s largest economy was excluded.

**EXPORTS HOLDING UP**

While no one predicted a sudden, sharp blow from U.S. tariffs, China’s official export data has been surprisingly resilient so far, with growth exceeding analysts’ expectations for five months in a row.

Chinese officials acknowledged Chinese exporters have been rushing out shipments to beat new U.S. tariffs, buoying the headline growth readings, while some companies such as steel mills are diversifying and selling more products to other countries.
Economists have noted that disruptions in supply chains are likely to be more company specific, and will take time to be reflected in broad economic data and corporate earnings reports.

However, anecdotal evidence of mounting trade damage on both sides of the Pacific is on the rise.

Official and private manufacturing surveys for China show global demand for Chinese goods is clearly on the wane, with export orders shrinking for months in a row.

“Risks have increased due to the negative impacts of China-U.S. trade friction. The impact on exports may gradually start to show up, with future export growth possible declining,” said Liu Xuezhi, an analyst with Bank of Communications.

Policymakers have shifted their focus in recent months to improving credit conditions and shoring up business confidence.

Beijing is ramping up spending on infrastructure projects to spur domestic demand and the central bank is tamping down borrowing costs and leaning on commercial banks to continue lending to struggling firms hit by trade troubles.

But such steps will take time to arrest the economy’s slide, and analysts expect the government to unveil more stimulus measures if business conditions continue to deteriorate.

Source: reuters.com - Sep 09, 2018
GSP Plus: Enabling Sri Lanka compete with region’s apparel industry

Sri Lanka faced export revenue losses of around Rs 250 billion after being blackballed and losing its GSP+ concession in August 2010 on allegations of human rights.

The country, which according to the International Trade Centre, was much ahead of Vietnam, Pakistan and Cambodia in apparel exports in 2009, trailed them by 2015.

Apparel exports in 2015 were $ 3.9 billion for Vietnam, $ 2.9 billion for Pakistan and $ 3.7 billion for Cambodia while Sri Lanka trailed at $ 2.4 billion.

The European Union (EU) reinstated the EU GSP Plus facility to Sri Lanka on May 19, 2017. This facility provides Sri Lankan exports level playing field with its neighbours such as Bangladesh and Pakistan, and also several other countries from African and South American continents.

A positive impact on the industry

A year after regaining GSP+ facility, apparel volume growth in Sri outstripped its revenue by 1-2 per cent,GSP Plus Enabling Sri Lanka compete with regions apparel industry 001 suggesting modest sharing of price benefit with customers.

Exports in the last two months have been particularly strong. The sector further estimates an increase of around 7,500 in jobs.

Exports have already increased by $150million, 1/3rd of its stated target of $500 million increment for the apparel sector.

The GSP+ scheme encourages increased value addition within Sri Lanka, thereby promoting backward integration, resulting in the setting up of new industries, and creating new employment opportunities in the country.
Rise in export earnings

In 2017, Sri Lanka reported the highest ever export earnings of $15.1 billion, which may further rise to $17.4 billion this year. FDI inflows in 2017 were recorded at $1.9 billion and may rise to around $2.5 billion this year.

Compared to other Asian countries however, Sri Lanka still lags behind. Annual exports of Singapore are estimated at $480 billion, Taiwan’s is $340 billion, Thailand’s $254 billion, in Vietnam’s $250 billion, and Malaysia’s $230 billion.

Benefits of FTAs

All these countries focused on FTAs, trade liberalisation, and foreign direct investment, to reach this level. Sri Lanka still has a long way to go in this regard. Right now, it’s only choice is to integrate with world markets. The country executed the Singapore FTA earlier this year and is in the advance stages of negotiating a FTA with China besides expanding its current FTA with India through Economic and Technology Cooperation Agreement (ETCA). ETCA can increase Sri Lanka’s competitiveness in industrial exports and also increase its supply capacity, to better utilise the market access to India.

ETCA negotiations address outstanding non-tariff barriers in the Indian market as well as many existing procedural barriers and delays in Indian ports of entry, particularly through Mutual Recognised Agreements. Together, the Chinese FTA and Indian ETCA give Sri Lanka preferential access to a market of two billion people and an emerging middle class larger than the whole of the EU.

The Sri Lankan government further plans to provide a trade adjustment package for local industrialists to upgrade machinery and introduce new technology so that these industries can be more competitive and serve the local market as well as export to the regional and global markets.

Source: fashionatingworld.com - Sep 08, 2018
Vietnam competes with China to become top garment exporter in South Korea

Vietnam became the second largest textile and garment supplier in South Korea, just after China, with export turnover of $1.5 billion in the first seven months of the year. The number 1 position, according to analysts, is within reach.

Textile and garment exports to the South Korean market have soared recently compared with three years ago.

According to the General Department of Customs (GDC), in the first seven months of 2018, Vietnam’s total export turnover to South Korea reached $10.2 billion, an increase of 32.1 percent over the same period last year.

Analysts are paying special attention to the sharp increase in textile and garment exports to the market.

$1.5 billion worth of the products were exported, representing a high growth rate of 24.8 percent compared with the same period of 2017. In July alone, the export turnover was $270.7 million.

China and Vietnam are the two biggest garment exporters in South Korea which hold 34.5 percent and 32.7 percent of market share, respectively, while the figures were 40.18 percent and 29.5 percent three years ago.

Also according to GDC, South Korea has become the fourth largest export market for Vietnam’s textiles and garments and it is very close to Japan with import turnover of $2.7 billion in 2017.

To date, Vietnam’s garments have obtained only 30 percent of the market share, which means that Vietnam still can penetrate more deeply into the market.

The high competitiveness of Vietnam’s garments and spending of South Koreans are behind the high growth rate of textile exports.

Meanwhile, the Ministry of Industry and Trade (MOIT) pointed out the Vietnam-South Korea FTA, under which 24 product lines can enjoy preferential tariffs.
Analysts predict that Vietnam’s garment exports to South Korea may increase by 20 percent from now to the end of the year compared with the same period last year, thus raising the total export turnover to $3.2 billion in 2018.

The high growth rate in garment exports to South Korea could be seen as an opportunity to attract more FDI from South Korea into the textile & garment sector.

Le An Hai, deputy director of the Asia & Africa Market Department, said that South Korean investors have recently shifted their investments to Vietnam to take full advantage of CPTPP.

The Korea Trade and Investment Promotion Agency predicted that the tendency of South Korean relocating their investments from China to Vietnam may be seen more clearly in two to three years. At least 62 percent of South Korean businesses in Vietnam want to scale up their production.

Source: english.vietnamnet.vn- Sep 07, 2018

Nigeria-China Bilateral Trade Up 7.6%, Hits $7.2bn In Six Months

In the first six months of 2018, the value of trade between Nigeria and China grew by 7.6 percent year-on-year to hit $7.2 billion, making China the third largest trading partner with Nigeria.

China’s Commercial Consular to Nigeria, Hongliang Gao, stated this at the opening ceremony of the 2018 China-Nigeria trade fair in Lagos on Thursday.

He said the Chinese government was committed to a sustainable mutually beneficiary relationship with Nigeria.

He noted that, with the increased interest in investments and trade between both countries, China would soon surpass trade relations with India which is presently Nigeria’s highest trading partner.
Gao said, “Nigeria is Africa’s first population country and the largest economy. It is rich in natural resources, fertile land and huge market potential. It is a hot land full of business opportunities.

“In recent years, the friendship between China and Nigeria has been further strengthened, high-level exchanges have become closer, political mutual trust has deepened, bilateral economic and trade cooperation have achieved fruitful results, and the scale of trade has continued to expand.

“From January to June this year, the bilateral trade volume between China and Nigeria reached $7.2 billion. It increased by 7.6 percent year-on-year.

“At present, Nigeria is China’s third largest trading partner in Africa, the largest engineering contracting market, and an important investment destination.

“The continuous and in-depth development of China-Nigeria economic and trade relations is in the common interest of the two peoples.”

He further spoke on the China Africa Summit in Vhina. He said, “Yesterday, the Beijing Summit of the Forum on China-Africa Cooperation was successfully concluded. Chinese President Xi Jinping shared the friendship and discussed the plans with the leaders of African countries.

“The Beijing Summit of the China-Africa Cooperation Forum is a major event in the historical development of China-Africa relations. It has established a historical monument of China-Africa friendly exchanges, played a strong voice of China-Africa economic and trade cooperation, and point out the future development direction of China –Africa relations.

In particular, President Xi Jinping’s keynote speech at the opening ceremony of the summit, announced the eight major actions of cooperation with Africa and the support of $60 billion.”

He added: “The China-Africa Cooperation Forum closed successfully yesterday. Today, the 2018 China–Nigeria Expo has entered Lagos and was grandly opened. It is just the right time.
“The Expo is an important measure for the organisers and exhibitors to actively respond to the national ‘One Belt and One Road’ initiative, explore emerging markets in African countries, and optimise the layout of the international market.

“In this exhibition, nearly 100 companies from 13 provinces and cities in China participated, 200 booths and 4,000 square meters of exhibition area. The products exhibited included building materials, home appliances, and consumer electronics, textiles and clothing.

“It is hoped that the Chinese and Nigerian enterprises participating in the Expo will make full use of this new platform, extensively explore new areas of cooperation and new ways of cooperation, and open a new window for bilateral economic and trade exchanges.

“It is hoped that the enterprises of the two countries will actively exchange ideas and seize opportunities for cooperation to achieve mutual benefit and win-win results. All the participating guests attending the event should end up with satisfaction and fruitful result.”

Also, the Secretary General of International Silk Union, Jianming Fei, in his opening remarks, said the findings of Nigeria’s demand for silk has doubled in the past three years for which he hoped to establish a manufacturing base in Africa soon.

Source: independent.ng- Sep 08, 2018

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Vietnam: Textile, garment firms lose competiveness

Vietnamese garment and textile enterprises are losing their competiveness due to high costs of logistics services for exports, experts have said.

According to statistics from the Việt Nam Textile and Apparel Association (VITAS), textile and garment export value last year reached US$31 billion, an increase of 19.2 per cent compared to 2016.

Of the $31 billion in export value, the industry spent nearly $18 billion to import raw materials, including cloth, fibre and cotton, among others.
However, the cost of logistics activities for textile and garment enterprises accounted for 9.1 per cent of total export turnover, around $2.79 billion.

According to VITAS, the cost of logistics services in Việt Nam is much higher than that of neighbouring countries and the region.

In particular, logistics costs in the country are 6 per cent higher than in Thailand, 7 per cent more than in China, 12 per cent higher than in Malaysia and three times more than in Singapore.

Despite reasonable labour costs, competitiveness has been affected by transport costs, surcharges at seaports, and limited seaport infrastructure.

Phạm Thị Thúy Vân, deputy director of marketing at the Sài Gòn Newport Corporation, Việt Nam’s leading container port operator, attributed high logistics costs to a number of reasons.

“The current regulations on fees and charges for logistics services are high, making transport costs also relatively high, accounting for between 30 and 40 per cent of the cost of the products, compared to some 15 per cent in other countries,” she said.

For example, BOT charges on the Hà Nội-Hải Phòng expressway for businesses from Hà Nội and Bắc Ninh are about $75 per trip, accounting for 40-42 per cent of the total trucking fee, while in Malaysia, the BOT fees account for only 6 per cent of trucking costs.

In addition, the surcharges of shipping lines also contribute to the cost of logistics operations in the country.

Experts said the expanded costs for logistics have significantly affected the garment and textile industry, which employs a large number of labourers and is hugely dependent on input importation, which results in low added value.

Nguyễn Xuân Dương, chairman of the board of directors for the Hựng Yên Garment and Textile JSC, said it was difficult for enterprises to be highly competitive because of the high cost of logistics.

“The company has to spend around $5 million on logistics services for exports every year,” he said.
In the first eight months of the year, exports of the garment and textile sector reached nearly $20 billion.

This year, the garment and textile industry has set a target of $34-35 billion worth of exports. If achieved, the costs for logistics services would reach up to $3 billion, reducing competitiveness of businesses.

To address the challenges, many firms have applied technology to better manage warehousing as well as optimise supply chains.

One of the most commonly used technologies includes backing up bills and contracts, and automatically transferring documents between firms.

Experts said that logistics enterprises should work to improve their competitiveness, and consider cooperating in transport services to reduce costs for other enterprises.

They also suggested that the Government outline a roadmap to improve the quality of logistics services to meet the demand of many sectors, especially the garment and textile industry.

According to the Việt Nam Logistics Business Association, Việt Nam’s logistics costs in 2016 totalled $41.26 billion, equivalent to 20.8 per cent of the country's GDP.

Despite high logistics costs, the logistics sector has contributed a mere 3 per cent to GDP, according to the association.

According to the World Bank, in 2016, the country’s logistics sector ranked 64 out of 160 countries, and fourth in the ASEAN region after Singapore, Thailand and Malaysia.

Source: vietnamnews.vn- Sep 10, 2018
Asean consumer expenditure on fashion to rise by 7.3 per cent

With growing economic prosperity, Asean consumers are spending more on fashion and lifestyle items. A Euromonitor International survey reveals, the region’s consumer expenditure on clothing and footwear amounted to $ 51.2 billion in 2017.

Over the next five years, it is expected to grow on an average 7.3 per cent annually to reach $ 72.7 billion in 2022. According to HKTDC’s ASEAN Middle-income Consumer Survey, more than half respondents in Jakarta, Kuala Lumpur, and Bangkok are expected to spend more on fashion items in next two years.

The distribution of fashion spending was: business attire (28 per cent), casual wear (26 per cent), shoes (22 per cent), accessories (12 per cent), travel goods and handbags (8 per cent), and spectacles (4 per cent).

Fashion distribution channels

Concept stores, department stores and multi-brand stores are dominant distribution channels for fashion in Asean. Aside from Asean consumer expenditure on fashion to rise by 7.3 per cent 001 bricks-and-mortar retailers, e-commerce has quickly become an independent force in the fashion industry as well.

Concept stores:

Concept stores sell well-curated products matching that store’s special theme. They constantly seek unique items to add corresponding accessory labels to their product offerings.

Department Stores:

Department stores are an important fashion distribution channel in Malaysia. Major department store chains, such as Parkson and Metrojaya, continue to upgrade their product portfolios to include a wider selection of brands attractive to middle- and high-income consumers.
In Thailand, Central Group has Central Department Store, Robinson Department Store and Zen, as well as managing Marks & Spencer and MUJI. The Mall Group operates The Mall department stores, Siam Paragon, The Emporium, and The EmQuartier.

**Online Platforms**

With just three per cent, e-commerce penetration in the Asean countries it is still only 3 per cent of total retail sales. The Asean fashion ecommerce market includes classified sites (Mudah and OLX), C2C (Tarad, Tokopedia, Bukalapak, Shopee), B2C (Lazada, Zalora, MatahariMall) and brands’ own sites (H&M and Adidas). Retailers like Central Group and MAP Group, have also embraced e-tailing by creating their own online platforms.

**Making inroads into the market**

Luxury groups such as Louis Vuitton, Christian Dior, Chanel, Prada, and many more, usually enter the Asean market by opening self-owned flagship stores to ensure a total control of brand image. Sportswear brands, such as Nike or Adidas, mostly expand by means of franchising. Fast fashion brands, such as H&M, Zara, and Uniqlo open branded retail shops in major cities across Asean.

Upcoming fashion designers can also approach department stores with their portfolio or propose a joint promotion event, such as a trunk show. Large brands can choose to participate in large-scale iconic fashion shows in the region, such as the Bangkok International Fashion Fair and Kuala Lumpur Fashion Week. Smaller brands can showcase their collections in private fashion events organised by fashionista and public relations consultants. Partnering with a retailer to host a trunk show is another alternative.

Social media has become an essential tool for marketing, public relations, and customer service. Brands need to make sure that their social media content is timely, engaging, and relevant to their target market. They can also hire Influencers to gain immediate access to the right customers.

Source: fashionatingworld.com- Sep 08, 2018
Kihak Sung to head Zurich-based textile body

The International Textile Manufacturers Federation (ITMF) unanimously elected Kihak Sung, chairman of South Korea-headquartered Youngone Corporation, as the new president of the Federation for 2018-20.

A statement issued by the Youngone Corporation yesterday said its chairman assumed the presidency of the Federation at a gala event held on September 7-9 in Nairobi, Kenya. Over 300 textile luminaries attended the conference.

Sung was one of the two vice presidents of the previous committee.

The ITMF is one of the oldest non-governmental organisations founded in 1904 with its headquarters in Zurich, Switzerland.

Sung's meteoric rise in the textile arena is associated with the success of Youngone Corporation as a pioneering investor in RMG and textile sector.

Youngone was the first foreign investor in the textile and apparel sector in Bangladesh.

Almost all other subsequent investors from Korea followed in Youngone's footsteps to invest in Bangladesh. Its production of world famous brands has greatly enhanced the image of Bangladesh in the garment and textile sector, according to the statement.

Because of his invaluable contribution to the development of apparel and textile industry and the national economy of Korea, Sung was conferred upon the highest class of the “Order of Industrial Merit Gold Tower” by the President of Korea in 2008.

This was followed later by his election to the top post as chairman of the Korean Federation of Textile Industries, a post which he still holds.

Source: thedailystar.net- Sep 10, 2018
Pakistan: Trade deficit: by default or by design?

Trade balance deficit is being considered as the biggest challenge for the current government. This is for simple fact that Imports are roughly fifty billion dollars whereas exports are two billion dollars for the previous year. By current trend, this deficit is going to soar by the day. Bailout through entering in program with IMF is considered the only way forward at the moment.

One expert familiar with the trade deficit issues termed this approach as “get more loans to payback the loans”. No matter how serious is the trade deficit and its impact on common person, is it manageable without IMF. What are the short terms and long term solutions are main issues that require an objective analysis.

Imports make the goods expensive, minimize chances of creating jobs or funds for the public welfare projects as foreign exchange reserves get exhausted. Its relevant to mention chunk of imports are of POL, edible oil and product thereof. Then comes machinery, chemicals and commercial imports of non-essential items.

Can we curtail POL bills? Answer is both yes and no. In Sri Lanka, wheat and tobacco are not produced. Over the years, this country has grown the habit of getting carbohydrates from potatoes in the absence of wheat whereas the imported cigarettes have been made too expensive to be affordable.

Many such examples are available in East Europe as well. Big challenges are countered through bold step. One step could be to make petrol too expensive so people develop habit of travelling by public transport provided the government makes it easily available. Simultaneously, heavy tariff is levied on all automobiles exceeding 1800 CC. On edibles oil, Pakistan needs to gradually divert to locally manufactured maize and cottonseed oil.

We continue to thrive in protective regimes for capital goods industry and are content with assembling auto and electronic sectors. Such protection needs to be abolished and let them compete in international markets. It may take time but eventually the industry will learn to survive but hard way.
Government tariff regimes on commercial imports have led to mushroom growth of informal sector. The FBR has levied different tariff for industrial and commercial importers on industrial raw material. The net result is that industrial importers sell in local markets after paying 3% less than commercial importers.

Strange is such approach when end user is the industry then why different rates, no matter whosoever imports. Secondly, commercial importers are asked for 3% value addition tax at import stage, which is their final tax liability. It is no hidden secret that such imports are under-invoiced but local sales are made at actual price without any check since they are exempt from the audit.

Levy of additional duty on non-essential items has hardly reduced quantum of imports but no lesson has been learnt. The fact remains that all branded chains such as Bass, Gucci, Versace etc. are not exporting to Pakistan; even very marginal import of perfumes and cosmetics from France. In fact, these brands are copied in China from where they are imported to Pakistan.

Emails with such businesses suggested that government should not allow import of branded products without proper licenses from their manufacturers. It was also revealed that leftovers, counterfeit or expired stuff are also imported where new stickers are embedded on packing material. Checking this will drastically reduce imports of foot-wear.

Make it point not to create another regulatory body but sub-let it to the renowned international 3rd party for checking origin of goods and their quality.

Our exports profile is lop-sided as is primarily of Textiles. We may note that as per WTO data, Pakistani textiles has around 7.5% share in global trade and in textiles around 60% is of garment. Whereas Pakistan in Textiles exports yarn, bed--wares and only 20% hosiery items. Share of garments is marginal.

The reason, group leader value added sector explained that garment are made from man-made yarn which is very expensive. Reasons notwithstanding, question arises if such export can helps in bridging the trade deficit?
Over the years, in fact, government have been giving subsidy for R&D and now Duty Draw-back of Local Taxes and Levies (DLTL). In fact textiles operates in zero sector and government offered this facility for upgrading and research. But this sector hardly spends much on upgradation as well on research. A ground check in this sector revealed they have not employed any professional with a few exceptions. One prominent investor from abroad was in for surprise to learn that a unit exporting billion of rupees has not employed any engineer in the unit.

Pakistan exports orchards and rice. Many foreign experts wondered why basic commodities’ byproducts are not manufactured. Study of different countries has indicated that sugarcane sector is making ethyl alcohol, citric acid, lactic acid, cattle feed, oxalic acid, baker’s yeast, mono sodium glutamate, torula yeast, lysine, acetone-butanol-alcohol. Similarly papers, boards and chemicals are developed.

Many countries have introduced energy conservation measures to save as much as possible, even after using it as captive fuel though pooling up the surplus from a number of factories for supporting a bagasse-based energy industry. Similarly, Wheat byproducts such as Oat and Bran are obtained by an industrial milling process. Instead of exporting raw fruits, its pulp can fetch seven times more value.

Informal sectors operate through cash transactions. On question how to counter cash transactions keeping in view that FBR recent past measures failed to curb it, “lack of innovative approach as well capacity to deliver are the key reasons” remarked a giant corporate entity. Discussion with various businesses suggested SBP should restrict cash transaction more than Rs10 million only by Tax-filer.

This will result in 1) broadening of tax-base, 2) minimizing informal sector and making difficult to mis-declare the value. It was found that massive dead investment is in bearer instrument is on rise. Simultaneously, the State Bank should restrict the sale of such instruments especially prize bond against proper CNIC and its purchase and sale should be through authorized dealer. Similarly only Tax Filer should only be entitled to travel in Economy Plus and other privileges classes in airlines.
There seems to be consensus that exports are in dire need for drastic diversification as well paradigm shift from basic textiles and commodities to value added sectors and linking Incentives with, research and consistent upgradation and innovative techniques.

A vibrant industry will attract professional entrepreneurship. Resultantly Pakistan may see quantum jump in exports. Such compact strategy can minimize imports, growth in capital goods industry, which has 60% shares in global trade. Only in this way, the bridge between imports and export can be curtailed.

The key to success is time-tested formulae: the will and capacity to do the right things and selecting the right team to get it done.

Source: thenews.com.pk - Sep 08, 2018

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**Uzbekistan, Egypt sign agreements worth $470M**

The agreements on the implementation of investment projects worth $470 million were signed following the business forum and the cooperation exchange between Uzbekistan and Egypt, the Ministry for Foreign Trade of Uzbekistan said Sept. 8.

Moreover, loan agreements worth $60 million were signed with the African Export-Import Bank (Afreximbank) and the Bank of Cairo. Export contracts worth $13 million for the supply of cotton yarn and copper pipes were also signed.

The events took place on September 5 during the official visit of Egyptian President Abdel Fattah Saeed Hussein Khalil el-Sisi to Uzbekistan.

During the business forum, Uzbek Foreign Trade Minister Jamshid Khodjaev emphasized that the level of current trade turnover absolutely does not correspond to the huge economic opportunities of Uzbekistan and Egypt.

"Effective use of existing reserves and opportunities will significantly increase the potential of the economies of both countries," the minister said.
A few hours before the business forum, the participants held talks on economic projects in the fields of tourism, pharmaceutics, electrical engineering, rare earth metals production, as well as the creation of a horticultural and logistics hub.

Moreover, the Chambers of Commerce and Industry of the two countries signed an agreement on the creation of a business council. The first meeting of the council is planned to be organized within the forthcoming meeting of the intergovernmental commission until the end of the year.

Source: en.trend.az- Sep 08, 2018


NATIONAL NEWS

Suresh Prabhu proposes to double bilateral trade with Iran in next five years

Commerce and Industry Minister Suresh Prabhu Friday proposed to double bilateral trade with Iran in the next five years from the current level of USD 13.8 billion, an official said.

The official also said Prabhu’s scheduled visit to Tehran on October 2 has been postponed for some reasons. He was to attend the ministerial meeting of the International North South Transport Corridor.

Ways to boost trade and investment between the two countries were discussed during a meeting between Prabhu and Iranian Minister of Road and Urban Development Abbas Ahmad Akhoundi here.

The meeting assumes significance as the US has imposed sanctions on the Persian Gulf country. The US has also told India and other countries to cut oil imports from Iran to zero by November 4 or face sanctions.

After the meeting of the two ministers, Prabhu tweeted: “Our discussions were centered on expanding bilateral ties between India and Iran beyond the energy and security sector.” Federation of Indian Export Organisations (FIEO) President Ganesh Gupta had recently said the government needs to look into the problems being faced by exporters shipping consignments to Iran in view of the US sanctions.

Iran is India’s third-largest oil supplier after Iraq and Saudi Arabia. Iran supplied 18.4 million tonnes of crude oil between April 2017 and January 2018 (first 10 months of fiscal 2017-18).

Bilateral trade between India and Iran increased to USD 13.8 billion in 2017-18 from USD 12.9 billion in the previous fiscal. However, India’s exports goods worth only USD 2.65 billion to that country, while the imports stood at USD 11.11 billion.

Source: financialexpress.com- Sep 08, 2018
Cotton prices firm upon reports of lower carryover stocks, crop estimates

Cotton prices in the domestic market have firmed up on reports of lower carryover stocks in the coming season and the lower crop estimates by most cotton bodies in the state.

Cotton prices are currently in the range of Rs 47,000 to Rs 48,000 per candy and, according to traders, if the rupee continues to fall, prices of cotton are likely to go up further, industry people said.

Higher minimum support price (MSP) along with a record low carryover stock and high demand in the domestic market has pushed the prices up in the last few days. According to some cotton ginners, millers already have some 18 lakh bales stock on hand and the carryover stock has reduced to some 22 lakh bales at the start of the new season, which commences from October.

With reports of lower crop estimates, prices are likely to remain firm as the season starts, industry people said. The Cotton Association of India (CAI) had previously predicted domestic stocks at the end of 2017-18 season at 22 lakh bales, which is the lowest in about a decade. According to traders with 20-22 lakh bales of carryover stock, India is having its lowest stock in the past ten years. With a similar trend seen worldwide, there could be a further increase in prices, traders felt.

Aryind Jain of the Maharashtra Cotton Ginners Association said that the prices were stable during the October-November-December and January period and after this the consumption of Gujarat increased.

Coupled with this, the estimates of a crop size of 400 lakh bales came down to 380 lakh bales and a rise in export from an estimated 60 lakh bales to 70-72 lakh bales led to a hike in prices to `48,000 to Rs Rs 49,000 per candy. However, with the climate opening up, hopes have now risen among traders that the new season arrivals may commence from the first week of October, which could see prices stabilising to an extent, he said.

Moreover, since the government had increased the MSP, there was a fear among the traders that farmers would not bring cotton into the markets soon and, therefore, the hike in prices is a temporary phenomenon, he said.
In its recent statement, the International Cotton Advisory Committee (ICAC) said that the 2018-2019 season is likely to witness 3% drop in production, 3% increase in consumption and 10% decrease in global stocks.

ICAC mentioned that this will bring down the world’s cotton reserves to a level not seen since 2011-2012. On this, the global apex body said that decrease in the stocks world over will mainly come from a draw-down in China’s warehouses. If traders wish to import top quality cotton of the Pima and Giza variety from Australia, Turkey and America, prices are in the range of Rs 71,000 per candy and, therefore, domestic trade has picked up within the country, traders said.

Increased demand from China, the largest consumer of cotton, is likely to lead to a rise in global consumption. According to the ICAC, from March to August 2018, Chinese State Reserve sold more than 20 lakh tonne of fibre, reducing the stock to 86 lakh tonne.

Source: financialexpress.com- Sep 08, 2018

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**Dhaka helping entry of Chinese textiles: GCCI to Smriti Irani**

Claiming that Bangladesh is facilitating backdoor entry of Chinese textiles into India, representatives from the Gujarat Chamber of Commerce and Industry (GCCI) on Thursday met Union Textile Minister Smriti Irani and sought her intervention for introducing protectionist measures to safeguard the local industry.

“In the pre-GST era, import of garments from Bangladesh was attracting countervailing duty (CVD) and education cess. However, in the post-GST scenario, there is no cost of import of garments from Bangladesh.

This unilateral duty-free market access given to Bangladesh, is actually facilitating backdoor entry of Chinese textiles into India, which needs to be curbed by introducing some protectionist measures such as imposition of anti-dumping duty,” stated a list of 15 suggestions made to the Union minister in Delhi.
Quoting figures from Export Promotion Bureau of Bangladesh, GCCI pointed out that India imported USD 87.4 million worth of ready-made garments from Bangladesh during July-November 2017, which was a sharp rise of 56 per cent compared to USD 55.92 million during the same period the previous year.

Knitted apparel imports from Bangladesh rose by 69 per cent, while women apparel imports grew by 51 per cent.

“The suggestions made today were for the Centre’s proposed textile policy,” said Meena Kaviya, chairperson of the textile committee of the GCCI who was among those who met Irani.

Among other measures, the members also recommended the government to introduce measures to counter China “which has been selling organic fibres”.

“We need to develop and promote our cotton fibre as green fibre which is manufactured through environment friendly methods and zero discharge processes,” GCCI members stated.

The chamber also sought a “single national policy for the textile sector”. “This will prevent unnecessary undercutting within the country due to variable policies and would be vital in building and promoting our national brand for textiles in the global markets,” the recommendations stated.

Source: indianexpress.com- Sep 07, 2018
Performance of textiles industry better, says SIMA chairman

The performance of the textiles industry during the financial year 2017-18 has been slightly better than last year, chairman of Southern India Mills Association (SIMA) and managing director of KPR Mill Ltd P Nataraj said Friday.

In his address after being re-elected as chairman of SIMA at its 59th annual general body meeting here, Nataraj said yarn and cloth production increased to 5,676 million kg and 66,524 million square metre as against 5,667 million kg and 63,482 million square metres.

Though affected by demonetisation and goods and services tax (GST), the economy was back to normal now, indicating steady growth, he said.

Major policy initiatives that could address the GST-related issues were reduction of the tax on man-made filament and spun yarn from 18 to 12 per cent as well as inclusion of all textile job work under a GST of five per cent, he said.

"Though major demands in respect to the GST have been addressed, we still have some issues that are yet to be addressed, he added.

Earlier, the annual general body meeting of SIMA unanimously re-elected office-bearers for the second term for the period 2018-2019.

Managing director of SCM Textile Spinners K Vinayakam is deputy chairman of the association and chairman and managing director of Precot Meridien Limited Ashwin Chandran is vice-chairman.

Source: business-standard.com- Sep 07, 2018
Can the rupee fall be controlled?

*Hedging oil contracts and addressing export finance hurdles will help. The RBI should articulate its view on the rupee*

The fall of the rupee has been quite sudden in the last few months and honestly no one is sure how the currency will move in future. There have been some signs of weakening of fundamentals, though admittedly the external factors are dominant. A stronger rupee vis-à-vis the other currencies, especially the euro, has led to systematic depreciation of global currencies. Nations like the East Asian economies are buffered by being export oriented. What can India do to stem the rot?

The first thing that comes to mind is that the RBI can start supplying dollars in the market to cool down the exchange rate. Up to June, the RBI had sold around $14 billion. Further, there were forward contracts purchased for $10 billion. Forex reserves have declined by $23 billion since March-end and is at around $400 billion now.

Realistically speaking, selling dollars is not practical as this can assuage the market only for a few trading sessions after which other factors will continue to drive the rupee down. Therefore, this is a short-term solution.

The second measure which can be taken is to talk the market down.

In the current situation there is a tendency for importers to rush in to buy dollars and exporters to hold back remitting their earnings on the expectation that the rupee will depreciate further. This exacerbates the demand-supply matrix for foreign currency and drives down the rupee further.

**RBI steps**

The RBI can ensure that export earnings come back to the country on time while importers should be urged not to rush in to buy dollars in advance. Alternatively, asking the importers to hedge can be attempted though it cannot be made mandatory. Making such statements will help lower the speculative element which comes into the picture every time the rupee keeps falling.
Third, the government should focus on exports and to the extent possible, especially on the tax credit/refund part, clear the coast for exporters. SMEs (small and medium enterprises) which are dominant in the export market have had tax refund issues and this needs to be sorted out.

Also, export finance is another problem which has been bothering exporters and impediments on this front too need to be removed. But this will work only in the medium term and cannot deliver result immediately because export markets tend to be relatively inelastic and are driven by demand factors.

Fourth, as oil is the major import component, and whose prices are rising, a separate window needs to be opened for selling dollars. Also, hedging processes must be put in place to ensure that the purchases are in order. OMCs (oil marketing companies) do take forward contracts to buffer against price changes, but to the extent there are open positions hedging should be made mandatory.

Fifth, the RBI would have to monitor the other components of demand for dollars — like it did previously, which was five years back — to ensure that there are limits to the drawal of dollars for other purposes such as travel, investment, and education. This could become a pain point where corporates may be taking dollars out for investment overseas, as opportunities within the country are limited.

Sixth, the channels for external commercial borrowing should be looked at judiciously. While urging companies to explore the market makes sense, it should be noted that unhedged positions can put on pressure on debt servicing. Nevertheless, in these conditions, such borrowings would be helpful.

Seventh, the channel for considering a sovereign bond or any such scheme for getting expatriates to invest in such bonds should be planned in advance — which may not be required if conditions stabilise. We need to look at our forex reserves and import-cover position and have thresholds below which such bonds or NRI deposits schemes may have to be explored.

Such a policy would be worth having internally as there should be triggers that are known that would lead to such possibilities being looked at.
Capital flows

Eight, the capital flows need to be monitored proactively and this is where FPIs (foreign portfolio investments) matter. The strong inflow of FPIs has the power to rein in the rupee.

The recent issues regarding KYC norms can hold back such flows and regulators should look at minimising hurdles given the pivotal role played by this constituent. Further, while the RBI’s monetary policy target is primarily inflation control, the currency is also a secondary variable that is tracked and increasing interest rates could help in drawing in FPI flows to the debt segment.

While these options need to be a part of the list that the central bank and the government need to keep on the radar, the causes for depreciation are important. When fundamentals drive the rupee down — and here oil imports are relevant — the authorities can work on improving them by addressing various components on the capital and capital accounts. However, when the prime driving force happens to be external factors like US’ trade war with China and Turkey, which results in the dollar strengthening, there is little that can be done to hold back the rupee.

Making affirmative statements will help to steady the rupee so that the speculative element lays low. In the market there is always a view that the country is better off with a weaker rupee as it helps to increase exports. Whether or not this premise is right, the market looks to the RBI on its view on the rupee.

While the RBI maintains that it has no view on the rupee value but is interested only in its orderly play, it is interpreted as the central bank being satisfied with the depreciation. This is a good reason to trigger further depreciation. By expressing a view, the RBI can send signals to the market, which will work better than direct intervention as the ‘sentiment’ factor is addressed. While ₹69.5-70 to a dollar looks to be fair in normal conditions, the length of the volatile phase can pull the rupee down substantially until equilibrium sets in. In the very near term though, ₹72-73/$ cannot be ruled out.

Source: thehindubusinessline.com- Sep 09, 2018
Job growth depends on increasing exports

The Economic Survey 2017-18 identifies two sources which can deliver sustained growth and economy: Private investment and exports. While sluggish growth of private investments stems from Twin Balance Sheet problem of over-leveraged corporations and NPA-ridden banks, weak export growth is the result of domestic and external factors. Exports registered a negative growth rate of -15% in 2015-16 before recovering to 12 percent in 2017-18.

India’s exports primarily consist of agricultural and engineering goods, capital goods, textiles and Petroleum, Oil and Lubricant (POL) products, while a lion’s share of its imports is made up of crude oil and gold. The other important export item is services exports, including revenues from Information-Technology Business Process Outsourcing (IT-BPM) services. Of late, all these items have faced issues and challenges, hampering our export growth. A drop in oil prices from 2013-14 onwards led to a fall in our POL revenues, as oil is their most important component.

Engineering goods have seen tough competition, especially from China. Agricultural exports have fallen by two-thirds since 2014-15, mainly due to crashing international prices brought about by a glut in supply. IT-BPM services are not only facing competition China and Mexico, they have also been hit hard by tougher immigration norms in the US and rising automation. The textile sector is reeling under skill shortage, labour law rigidities and state taxes.

India needs a concerted effort to raise its export growth and generate necessary jobs. A few suggestions are in order. First, focus on labour intensive exports. This includes textile, leather and agro-processing sectors.

The government has taken a number of steps, like rebate on state levies for ready-made garments, SAMPADA scheme for agro-processing, MUDRA Yojana to provide refinancing of credit to MSMEs which can boost export growth. The crux lies in carrying these schemes forward.

Second, logistics and export infrastructure need a boost. Third, many countries reject Indian exports due to quality concerns arising from sanitary and phyto-sanitary conditions.
This requires India to enter into Mutual Recognition Agreements with other countries so that quality concerns are taken care of. In fact, a trade representative should be posted in every Indian mission abroad to further the interests and concerns of the Indian businesses in those countries.

Fourth, Indian firms need to integrate with global value chains (GVCs), especially in textiles and apparel where it has an advantage. This would require setting up some anchor firms, which can be MNCs, which have the forward linkages with the GVC and also the backward linkages with the suppliers in India. Finally, India needs to identify the sectors where an inverted duty structure exists, and correct the anomalies.

Source: dna.india.com- Sep 09, 2018

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Yarn spinners not passing on reduced GST benefits, say weavers

The power loom sector has petitioned the Goods and Service Tax (GST) Council and the Gujarat state GST commissioner against yarn spinners for not passing on the benefits of the reduced GST rate from 18 per cent to 12 per cent on the supply of yarn to power loom weavers.

The Federation of Gujarat Weavers Association (FOSTTA) in its petition stated that small and marginal weavers have been hit hard due to the increase in yarn prices in the last couple of months.

According to FOGWA, the yarn spinners have increased yarn prices in all the yarn deniers by Rs 25 per kilogram in the month of August. Again, the yarn prices in various deniers were hiked by Rs 5-Rs7 per kilogram on September 1 and by Rs 8 per kg on September 7, taking the overall price rise at Rs 40 per kilogram.

In order to sustain their profits, weavers have been compelled to increase the price of unfinished fabrics by Rs 3 per metre, which will ultimately increase the prices of finished fabrics.
President of FOGWA, Ashok Jirawala said, “The yarn spinners have attributed the hike in yarn prices to the weak rupee and the international crude oil prices. Actually, the price hike is artificial and it has highly impacted the profits of the small and marginal players in the power loom sector.”

Jirawala added, “The production of unfinished fabric has gone down by almost 40 per cent as the small and marginal players are making huge losses. They have stopped the purchase of yarn and still the spinners have gone on the spree of increasing the prices.”

But after GST reduction the rupee devalued and crude became costly, so how can Weaver’s prove their point

Sushil Somani

Leader of power loom sector Mayur Golwala said, “The reduction of GST rate from 18 per cent to 12 per cent on yarn has not been passed on to the weavers by yarn spinners. Section 17(1) of the GST Act mentions that any benefit in tax rate has to be passed on to the recipient of the goods or services.”

Power loom weavers have stated that the yarn spinners have indulged in anti-profiteering activities and that the GST Council and the state GST commissioner must immediately intervene for the overall benefit of power loom weavers.

Source: timesofindia.com- Sep 08, 2018
Indian investors make beeline for business opportunities in Kenya

A delegation of more than 30 companies from the Indian state of Gujarat is in Kenya looking for investment opportunities in diverse sectors. The delegation, which is being hosted by Indian High Commissioner to Kenya Suchitra Durai, is interested in the energy, health, information technology, textiles, mining and metals sectors.

According to Ms Durai, the business leaders are also keen on agriculture, especially agricultural mechanisation.

She said the sector presents endless opportunities for investors, with provision of food security being one of the pillars in President Uhuru Kenyatta’s Big Four agenda.

Most industrialised “I have been here for some time and I can tell you that Kenya is a very wonderful place to conduct business. Check the kind of opportunities the Kenya Government has in its Big Four agenda,” said Ms Durai during a forum with the delegation in Nairobi Friday.

According to the India High Commissioner, India has advanced $120 million (Sh12.1 billion) in government-to-government credit to Kenya for the textile industry.

The Asian economic giant has also advanced $200 million (Sh20.1 billion) for Small and Medium Enterprises (SMEs) lending in the country. “We will also be advancing a $61.6 million (Sh6.2 billion) line of credit for the energy sector. We also plan more credit for the health sector,” said Ms Durai.

According to figures from the Indian High Commission, Gujarat is one of the most industrialised states in India, accounting for a quarter of the country’s exports. The region has nurtured its economic growth through a creation of Special Economic Zones. It is also the home of one of India’s globally most visible vehicle brands – TATA.

Speaking at the same forum, Kenya National Chamber of Commerce and Industry (KNCCI) chairman Kiprono Kittony told the delegation Kenya is a vibrant and growing economy that they should take advantage of if they want good returns.
“Our Gross Domestic Product has been stable and moving upwards of five per cent. We are now ranked at number 80 in the Ease of Doing Business Index by the World Bank. We are targeting to climb to top 50,” said Mr Kittony.

Source: standardmedia.co.ke- Sep 08, 2018

MSU to start skill development laboratory

Department of Clothing and Textiles of MS University (MSU) will start a skill development laboratory in the campus of family and community sciences faculty to promote skill development among the people from underprivileged background.

The funding for this laboratory was provided by Dr Atulkumar Patel, an NRI and a gastroenterology physician at Michigan in USA. The laboratory will be named after Patel’s parents – Shantilal Patel and Rama Patel.

The laboratory will help the department in upgrading its extension and field work and focus on related sector of skill development. The department will also sign a memorandum of understanding with Apparel Training and Design Centre (ATDC) of Union textile ministry and Swami Foundation. ATDC is country’s largest vocational training provider for the apparel sector.

The skill development laboratory will be inaugurated on Monday.

Source: timesofindia.com- Sep 10, 2018
Garment exporter? Why an AEO certification can add real value

Authorised Economic Operator programme (AEO) is a worthwhile investment for any garment manufacturer whose organisation is involved in international supply chain.

The status is attributed to only those organisations that maintain safe, secure and compliant international trade procedures. For those of you who are new to this, AEO is an internationally recognised status which demonstrates that your organisation operates both efficient and compliant customs controls and procedures.

In this era where business efficiencies are defined by speed, AEO accreditation can help fast-track shipments through customs and security procedures by providing quicker access to simplified custom procedures. In some cases, the benefit may also include waivers for guarantees.

A bouquet of other benefits is offered by AEO, including lower rate of physical inspections of imported/exported goods, faster release of shipments, preferential treatment by Customs Authorities, and deferred payment of duties, to the companies that meet compliance criteria and demonstrate the security of supply chain. Therefore, there is undeniable wisdom in getting the certification even though it is not mandatory.

Customs organisations all over the world face the twin challenge of securing the borders from unlawful trade and simultaneously facilitating and speeding up legitimate trade. These are exactly the objectives that AEO works towards achieving.

Globally, AEO certification will progressively evolve into an industry standard for claiming eligibility to any administrative and governmental discretions, priority and facilitation. In my opinion, it will not be any different in India as well, very soon.

While AEO certification has been offered since 2012 in our country, the Central Board of Excise and Customs has re-launched a more effective and reworked three-tier AEO programme merging the ongoing Accredited Clients Programme (ACP) and AEO programme recently. This has certainly been received well by the exporter fraternity and found to be very useful.
Further, the process of AEO certification has been made a time bound exercise by the government, which implies that AEO-T1 certification can be obtained within a period of one month after submission of required documents by your organization. The AEO-T2 & T3 certifications can be obtained between a reasonable three-five month period.

If you are an organization established in India and are involved in global trade as an importer, exporter, cargo agent, warehouse operator, port operator, carrier or customs house agent, irrespective of the size of your business, you are eligible for AEO certification. Also, since, AEO status is not location specific, it applies to a particular entity as a whole. Each entity needs to apply for AEO certification separately. It is no uphill task to be eligible for AEO or apply for it.

An applicant needs to provide the standard operating procedures and details of the following at the time of application:

- Site plan details
- Business partner details
- Legal compliance, that is, no issuance of show cause notice/prosecution case
- Security plan details
- Safety and Security standards
- Managing commercial and transport records
- Process map for movement of goods
- Financial solvency status

If you are an exporter, there is a three-tier system of certification, with varying levels of benefits: T1, T2 and T3. What makes the process faster and efficient is also that in case of T1 certification, no physical verification is conducted and only the application is reviewed.

Physical verification by AEO Programme Team is conducted to verify compliance with the above requirements for the grant of T2 and T3 certification within 90 days of application. The AEO specialists conduct onsite visit of domestic facilities to confirm the security practices are in place and operational in case of higher certification levels. The team prepares the reports with recommendation to the AEO Programme Manager within 60 days of completion of onsite verifications.
Once you are an AEO certified exporter in India, you are likely to get varying levels of benefits from the importing country, as per India's Mutual Recognition Agreement (MRA) with the respective country. Under the MRA, the customs authority of exporting countries or regions ensures the safety and authenticity of export shipments before export and the customs authority of the importing country or region ensures the preferential customs treatment for AEO certified entities at the time of import. While India has a well negotiated MRA with a few countries, the MRA with few other significant importing destinations is underway.

With more and more countries committing themselves to the efficient implementation of AEO or frameworks similar to AEO, this is certainly the trade language of the future. Numerous MRAs have been concluded and many more are in negotiation, as I write this. There is, thus, an undisputed merit for an MSME in Apparel export to enrol for AEO certification.

Source: economictimes.com- Sep 07, 2018

**RCEP countries open to easing investment rules, agree to ease ISDS clauses**

Despite treading diametrically opposite paths on tariffs and market access, India and China, along with other nations, have hit it off on talks regarding investment norms in the proposed Regional Comprehensive Economic Partnership (RCEP) pact.

In a bid to fast-track the deal, most nations have agreed to ease the investor-state-dispute settlement (ISDS) clauses.

These refer to a broad range of legal and policy norms regulating the process by which an investing private entity from another nation may seek legal recourse in the event of a dispute with the state.

The RCEP is a proposed pact between 10 Asean economies and six other nations (New Zealand, Australia, China, India, Japan and South Korea). So far, 23 rounds of talks have concluded, apart from six minister-level meets.
“We are reducing the application of ISDS in the investment chapter. India is cautious with regard to any measure that allows the aggrieved party to approach an international tribunal of law due to bad experiences earlier,” a senior official said.

Back in 2012, international investors in telecom companies, whose operational permits were cancelled by the Supreme Court in the wake of the 2G scam, had approached an international tribunal and sued the government for damages. While India avoided paying significant amount of the charges, the episode had dented the country’s reputation as an investment destination.

Harnessing investments from the Asia-Pacific region had always been a target for India in the RCEP talks.

In the last ministerial-level meet in Singapore, held in August-end, it was decided to not have ISDS applied on a ‘most favoured nation’ basis, the official said.

This would mean that investment norms decided by India with one RCEP member nation may differ significantly from its agreement on investment with another.

India also secured a commitment that ISDS will also not be valid on ‘prohibition of performance requirements’, that deals with technology transfer and royalty payments, sources said.

If the trade pact takes shape, India may be staring at a major influx of foreign direct investment (FDI) as the grouping includes the second and third-largest global investors – Singapore and Japan – apart from South Korea. The government is also open to the possibility of major inflows of funds from China.

**Model bilateral investment treaty not the end**

However, the RCEP talks on investment may not go hand in hand with India’s model bilateral investment treaty (BIT) as it only represents a ‘skeleton structure’ and can accommodate changes, the official said.
From 2016, the Centre had terminated every BIT it had entered into earlier with various countries. New Delhi now maintains that all future investment pacts will be negotiated under the framework of the model BIT issued by the government in 2015.

But most of those negotiations are not time-bound, and global investors – many of them from major investing nations such as the European Union (EU) – have complained of a legal vacuum. The ISDS continues to be the main stumbling block in any discussion.

“The EU’s prime concern with the BIT is with the clause stipulating that if an investor-state dispute arises, a foreign investor can only seek the option of international arbitration when all domestic legal routes have been exhausted. While India feels this is required to keep a control on litigation and reduce the chances of extremely high penalties from international tribunals, the EU calls the Indian legal system slow and corrupt,” a senior Delhi-based trade expert said.

For India, RCEP presents a platform to give a boost to its strategic and economic status in the Asia-Pacific region. Expected to be the largest regional trading bloc in the world, accounting for nearly 45 per cent of the global population and with combined gross domestic product of $21.3 trillion, it may bring the biggest economies of the region into a trading arrangement for the first time.

Source: business-standard.com- Sep 08, 2018